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C O N F I D E N T I A L YEREVAN 001746

SIPDIS

DEPT FOR EUR/CACEN, DS FOR CIL, IP/EUR

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TAGS: [PINS](#) [ASEC](#) [ECON](#) [EFIN](#) [AM](#)

SUBJECT: LOS ANGELES BANK FRAUD COMES HOME TO ARMENIA

REF: ANDRES-OTTO 8/5/2004 TELCON AND FAX

Classified By: CDA Anthony F. Godfrey for reasons 1.5 (b) and (d).

SUMMARY

1. (SBU) The U.S. Secret Service provided information on a large transfer of fraudulently obtained funds from a U.S. bank to bank accounts in Russia and Armenia. We sought GOAM assistance in freezing the account in Armenia and recovering the money already disbursed. Based on our intervention, Armenia's Central Bank froze the suspect account. End Summary.

LOOTED TRUST FUND CASH ENDS UP IN YEREVAN

2. (SBU) Frankfurt's Secret Service liaison offices contacted Post after noon August 5 with urgent information about a fraudulent transfer of funds (USD 2.2 million) from a Bank of America (BoFA) account in Los Angeles to accounts in Russia and Armenia, including roughly USD 1 million in Yerevan at the British HSBC bank. The account holder, Ara Bostonjyan, has already withdrawn roughly USD 600,000.

BoFA APPARENTLY FAILS TO PROPERLY REQUEST FREEZE

3. (SBU) HSBC Yerevan CEO Nick Gilmour told us that his bank had automatically notified the Central Bank of Armenia (CBA) of the large transfer of funds on Monday, August 2, as required by Armenian law. He also noted that the Bank of America had contacted HSBC London to request the funds be frozen, at which time he had outlined the procedures necessary under Armenian law. Gilmour noted that the Bank of America had not pursued the necessary legal channels, and simply had repeated their informal request the next day. (Note: Armenian banks are required to make funds available for withdrawal within 24 hours to comply with a court order or if the CBA submits a written request for an injunction followed by a court order. End Note.)

EMBASSY ACTION FREEZES SUSPECT ACCOUNT

4. (C) The Embassy and the National Security Service (NSS) are cooperating closely in this case. Charge spoke personally with the Central Bank Chairman Vache Gabrielyan to request urgent CBA action to freeze this account pending a more formal request from appropriate USG agencies. The Central Bank subsequently froze the account, preventing the withdrawal of USD 300,000.

5. (C) While we succeeded in getting timely CBA support to freeze this account, this action is not permanent. Unless we can provide appropriate documentation to the GOAM requesting a more permanent action, this step could be reversed. The Armenian NSS has agreed to continue to surveil the account holder, but it would require significant effort and legal action before the disbursed funds could be recovered.
GODFREY